

## Message Text

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ORIGIN IO-13

INFO OCT-01 AF-08 ARA-06 EA-07 EUR-12 NEA-10 ISO-00 SIG-01  
ABF-01 OMB-01 TRSE-00 AID-05 IGA-02 EB-08 CIAE-00  
DODE-00 PM-04 H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01  
PRS-01 SP-02 SS-15 USIA-06 /120 R

DRAFTED BY IO/DHP:DKURTZER:GAS  
APPROVED BY IO:DRTOUSSAINT  
IO/DHP:ENORRIS  
IO/ML:PWKRIEDEL  
ARA:CFINAN  
NEA:JRCHEEK  
EUR/SOV:JCOLBERT (SUBS)  
EUR:DGOOTT  
EA:LMCMUTT

-----170844Z 074579 /21

R 170350Z FEB 77  
FM SECSTATE WASHDC  
TO AMEMBASSY BUENOS AIRES  
AMEMBASSY CANBERRA  
AMEMBASSY VIENNA  
AMEMBASSY BRUSSELS  
AMEMBASSY COTONOU  
AMEMBASSY BRASILIA  
AMEMBASSY BUJUMBURA  
AMEMBASSY OTTAWA  
AMEMBASSY BOGOTA  
AMEMBASSY COPENHAGEN  
AMEMBASSY HELSINKI  
AMEMBASSY PARIS  
AMEMBASSY BONN  
AMEMBASSY CONAKRY  
AMEMBASSY GEORGETOWN  
AMEMBASSY NEW DELHI  
AMEMBASSY JAKARTA  
AMEMBASSY TEHRAN  
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AMEMBASSY ROME  
AMEMBASSY TOKYO  
AMEMBASSY KUWAIT  
AMEMBASSY TANANARIVE  
AMEMBASSY LILONGWE  
AMEMBASSY BAMAKO  
AMEMBASSY VALLETTA  
AMEMBASSY MEXICO  
AMEMBASSY THE HAGUE  
AMEMBASSY NIAMEY

AMEMBASSY OSLO  
AMEMBASSY ISLAMABAD  
AMEMBASSY LIMA  
AMEMBASSY FREETOWN  
AMEMBASSY COLOMBO  
AMEMBASSY MBABANE  
AMEMBASSY STOCKHOLM  
AMEMBASSY BERN  
AMEMBASSY BANGKOK  
AMEMBASSY TUNIS  
AMEMBASSY LONDON  
AMEMBASSY SANA  
INFO USMISSION USUN NEW YORK  
USMISSION GENEVA  
AMEMBASSY SOFIA  
AMEMBASSY WARSAW  
AMEMBASSY BUCHAREST  
AMEMBASSY BANGUI  
AMEMBASSY CARACAS  
AMEMBASSY DAR ES SALAAM  
AMEMBASSY DAKAR  
AMEMBASSY BUDAPEST  
AMEMBASSY NASSAU  
AMEMBASSY PORT OF SPAIN  
AMEMBASSY NDJAMENA  
AMEMBASSY KINSHASA  
CONFIDENTIAL

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AMEMBASSY PRAGUE  
AMEMBASSY LUSAKA  
AMEMBASSY LA PAZ  
AMEMBASSY MOSCOW  
AMEMBASSY KIGALI  
AMEMBASSY MASERU  
AMEMBASSY YAOUNDE  
USLO PEKING  
AMEMBASSY WELLINGTON

C O N F I D E N T I A L STATE 036310

E.O. 11652: GDS

TAGS: EAID, UNDP

SUBJECT: 23RD UNDP GOVERNING COUNCIL NON-CONVERTIBLE  
CURRENCY ISSUE--WRAP-UP

REFS: (A) STATE 6774, (B) STATE 6775

1. SUMMARY: THE 23RD UNDP GOVERNING COUNCIL ADOPTED A  
DECISION ON FEBRUARY 4 ON AGENDA ITEM 4 (FINANCIAL  
SITUATION AND RELATED MATTERS,), WHICH INCLUDED

THE ISSUE OF ACCUMULATED NON-CONVERTIBLE CURRENCIES. THE DECISION BASICALLY REPRESENTS A TEXT SUBMITTED BY FOUR WESTERN DELEGATIONS, AND SUPPORTED BY THE U.S.; AND IT IS BY FAR THE STRONGEST GOVERNING COUNCIL DECISION YET ON THIS ISSUE. THE UNITED STATES DELEGATION INFORMALLY CIRCULATED ITS TWO PROPOSALS AND NEGOTIATED OFTEN WITH THE SOVIET UNION ON POSSIBLE WAYS OF ADDRESSING THE PROBLEM. BY HOLDING IN ABEYANCE FORMAL INTRODUCTION OF THE TWO PROPOSALS, AND YET STRESSING OUR INTENTION TO TABLE THEM AT THE NEXT GC IF NO PROGRESS HAS BEEN ACHIEVED, THE U.S. DELEGATION PLAYED THE ROLE OF "HONEST BROKER" IN THE NEGOTIATIONS BETWEEN THE CONFIDENTIAL

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COMMUNIST AND WESTERN DELEGATIONS. THIS, AND THE CLEARLY STATED CONCERNS OF NUMEROUS DELEGATIONS THAT THIS PROBLEM BE SQUARELY ADDRESSED, PRODUCED THE STRONG DECISION ON THE

NON-CONVERTIBLE CURRENCY ISSUE. END SUMMARY.

2. THE UNDP GOVERNING COUNCIL ADOPTED, BY CONSENSUS, THE DECISION ON ITEM 4 RELATING TO THE "FINANCIAL SITUATION AND RELATED MATTERS., THE DECISION INCLUDED FIVE PARAGRAPHS ON THE ISSUE OF ACCUMULATED NON-CONVERTIBLE CURRENCIES. THE INCLUSION OF THESE PARAGRAPHS IN THE DECISION WAS THE OUTGROWTH OF THE STRONG STATEMENTS IN THE OPENING PLENARY BY MANY DELEGATIONS ON THE NEED TO RESOLVE THE ACCUMULATION PROBLEM; THE INFORMAL CIRCULATION OF THE TWO U.S. PROPOSALS (STATE 6775) WHICH INDICATED OUR INTENTION TO PURSUE THE ISSUE IN EARNEST DURING THIS GC; CONSULTATIONS BETWEEN THE U.S. AND USSR DELEGATIONS; AND ACTIVE PURSUIT OF A STRONGLY-WORDED TEXT PUT FORWARD BY THE DELEGATIONS OF CANADA, NETHERLANDS, U.K., FRG.

3. INTENSIVE NEGOTIATING AND DRAFTING SESSIONS PRECEDED AGREEMENT ON THE TEXT OF THE DECISION. THE WESTERN DELEGATIONS TABLED A WORKING PAPER (IN FACT, FYI: DRAFTED IN LARGE MEASURE BY USDEL END FYI) WHICH WAS COUNTERED BY AN INFORMAL COMMUNIST (USSR, POLAND, BULGARIA, ROMANIA) DRAFT TEXT. THE U.S. DELEGATION, ITS MAJOR CONCERNS HAVING BEEN COVERED IN THE WESTERN DRAFT, PLACED ITSELF IN THE POSITION OF "HONEST BROKER," ASSOCIATING GENERALLY WITH THE WESTERN DELEGATIONS BUT SEEKING TO PREVENT A BREAKDOWN OF NEGOTIATIONS AND THUS A FAILURE TO REACH CONSENSUS ON A STRONGLY-WORDED TEXT.

4. THE DECISION ULTIMATELY ADOPTED BY THE GOVERNING COUNCIL:  
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-- IDENTIFIED THE ACCUMULATED CURRENCIES AS A MAJOR PROBLEM IN UNDP, URGED COUNTRIES TO CONTRIBUTE IN CONVERTIBLE OR READILY USABLE CURRENCIES, AND REQUESTED THE SPEEDY UTILIZATION OF THE ACCUMULATED CURRENCIES WITH DUE REGARD THAT NO COUNTRY GAIN SPECIAL PRIVILEGES (PARA 12 OF THE DECISION);

-- DECIDED THAT THE ACCUMULATED CURRENCIES WOULD BE INCLUDED IN THE RESOURCES AVAILABLE FOR THE ANNUAL EXPENDITURE CEILINGS, THUS PREVENTING THE POSSIBILITY OF ANY COUNTRY GAINING THE USE OF EXTRA FUNDS THROUGH ITS ABILITY TO UTILIZE THE ACCUMULATED CURRENCIES (PARA 13);

-- REQUESTED THAT THE ACCUMULATED CURRENCIES BE USED TO PAY FOR GOODS AND SERVICES RENDERED IN COUNTRIES WHICH CONTRIBUTE IN THOSE CURRENCIES (PARA 14);

--TOOK NOTE OF THE AGREEMENT OF FIELD EXPERTS OF COUNTRIES CONTRIBUTING IN THOSE CURRENCIES (PARA 15); AND

--TOOK NOTE OF THE ACTION BY THE ADMINISTRATOR TO REQUEST HEADQUARTERS STAFF AND EXPERTS TO RECEIVE PART OF THEIR SALARY IN THE ACCUMULATED CURRENCIES (PARA 16).

5. COMMENT: THE DECISION IS, BY FAR, THE STRONGEST GOVERNING COUNCIL STATEMENT ON THIS ISSUE. IN THIS RESPECT, THE U.S. ACHIEVED ITS CENTRAL OBJECTIVES IN THE GC: NAMELY, TO FOCUS INCREASED PUBLIC ATTENTION ON THE PROBLEM; TO PUT INCREASED PRESSURE ON THE SOCIALIST BLOC; TO ADDRESS THE PROBLEM VIA VARIOUS NON-PRIVILEGED MECHANISMS; AND TO RETAIN THE POSSIBILITY OF FORMALLY PURSUING ONE OR BOTH OF THE TWO U.S. PROPOSALS INFORMALLY CIRCULATED BEFORE, DURING AND AFTER THIS SESSION IF SATISFACTORY PROGRESS IS NOT MADE VIA OTHER MECHANISMS. ONCE AGAIN THE ISSUE OF ACCUMULATED NON-CONVERTIBLE  
CONFIDENTIAL

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CURRENCIES PROVED TO BE THE CENTRAL ISSUE OF CONFRONTATION. THE POTENTIAL THREAT OF THE DRAFT PROPOSALS KEPT THE SOVIETS OFF BALANCE DURING THE MEETING AND HELPED DEFLECT ATTENTION FROM OTHER TROUBLESOME QUESTIONS SUCH AS VIETNAM OR HUMAN RIGHTS IN CHILE. TWO DEVELOPMENTS ENSUED: THE U.S. ENGAGED IN BILATERAL TALKS WITH THE SOVIET DELEGATION; AND THE OTHER WESTERN DELEGATIONS TOOK THE LEAD IN HAMMERING OUT A STRONG TEXT OF THE DECISION. (COMMENT TO CONTINUE PARA 6.)

6. US APPROACHES TO GOVERNING COUNCIL MEMBERS BEFORE THE SESSION (REFTELS) CONTRIBUTED TO THE GREATLY

INCREASED AMOUNT OF ATTENTION ALL DELS GAVE TO THE PROBLEM. UNDP ADMINISTRATOR MORSE, IN OPENING STATEMENT, SAID PROBLEM OF ACCUMULATED NON-CONVERTIBLE CURRENCIES WAS ABATING; CHORUS OF OPPOSITION WHICH GREETED THAT STATEMENT CONVINCED HIM TO RETRACT IT AND TO ASK THE GOVERNING COUNCIL FOR GUIDANCE. WE THANK EMBASSIES FOR GOOD WORK; DEMARCHES HAD MAJOR IMPACT ON OUTCOME.

7. THE US DEL WELCOMED THE DECISION, AFTER ITS ADOPTION BY THE GC, AND STRESSED THAT OUR PROPOSALS, NOW BEING HELD IN ABEYANCE MAY BE PURSUED IN THE NEXT GENEVA COUNCIL SESSION (JUNE 1977) IF THE PROGRESS EXPECTED IS NOT ACHIEVED. THUS WE MAINTAINED A LEADERSHIP ROLE ON THIS ISSUE, KEPT OPEN LINES OF COMMUNICATION WITH SOVIETS, AND RETAINED OPTIONS FOR THE FUTURE.

8. FOR BUENOS: ARGENTINE DEL APPEARED UNINFORMED ABOUT US PROPOSALS. BECAUSE OF BILATERAL TALKS WITH USSR AND EFFORT OF OTHER WESTERN DELS TO GET A

STRONG DECISION, US DEL DID NOT PURSUE MATTER WITH ARGENTINIANS.

9. FOR CANBERRA: EMBASSY SHOULD CONVEY APPRECIATION  
CONFIDENTIAL

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TO GOA FOR PLEDGE OF CO-SPONSORSHIP (FYI: AUSTRALIAN DEL, NEW TO UNDP, DID NOT PLAY ACTIVE ROLE AT ANY STAGE OF ISSUE. END FYI)

10. FOR BRASILIA: HEAD OF BRAZILIAN DEL, COUNSELOR MOURO SERGIO DA FONSECA CONTO, PLAYED AGGRESSIVE AND POSITIVE ROLE IN NEGOTIATIONS LEADING TO GC DECISION. EMBASSY SHOULD CONVEY DEPT'S HIGH REGARD AND INTENTION TO COORDINATE OUR POSITIONS BEFORE NEXT GC.

11. FOR OTTAWA, THE HAGUE, LONDON, BONN: EARLY INDICATIONS OF NON-SUPPORT BY THESE DELS CONVINCED US NOT TO PURSUE PROPOSALS AT THIS TIME. BECAUSE THEY TOOK LEAD IN PRESSING STRONG DECISION, US WAS ABLE TO NEGOTIATE WITH USSR AND TO MAINTAIN THAT ONLY SOVIET PROMISES OF IMPROVED UNDP LIQUIDITY POSITION WOULD PROMPT US NOT TO SUBMIT PROPOSALS. DEPT BELIEVES THIS CREATED OPTIMAL CONDITIONS LEADING TO STRONG GC DECISION. EMBASSIES SHOULD SHARE OUR HOPE FOR EARLIER AND COORDINATED DISCUSSIONS ON THIS ISSUE BEFORE NEXT GC.

12. FOR ROME: EMBASSY SHOULD CONVEY APPRECIATION TO GOI FOR OFFER OF SUPPORT, AND ESPECIALLY FOR POSITIVE ROLE PLAYED BY ITS DELEGATE, MR. M. QUENTIN.

13. FOR ISLAMABAD: PAKISTAN DEL APPEARED INTENSELY INTERESTED IN OUTCOME AND PLAYED POSITIVE ROLE IN LATE STAGES OF DRAFTING.

14. FOR FREETOWN: FOR REASONS LISTED EARLIER, US DEL DID NOT CONSULT EXTENSIVELY WITH OTHER NON-WESTERN DELS AS ORIGINALLY PLANNED. SIERRA LEONE DEL -- BOTH MR. KUYEMBEH AND MR. J. KOROMA PLAYED ACTIVE AND POSITIVE ROLES THROUGHOUT DRAFTING AND NEGOTIATING PERIODS. EMBASSY SHOULD CONVEY DEPT'S HOPE THAT CLOSER CONFIDENTIAL

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CONSULTATION WILL PRECEDE NEXT GC SESSION (JUNE 77) AND THAT GC DECISIONS WILL LEAD TO RESOLUTION OF THE PROBLEM IN THE INTERESTS OF THE DEVELOPING COUNTRIES.

15. FOR MBABANE: DECISIONS IN UNDP ARE TAKEN BY CONSENSUS, AND THUS SWAZI DEL JOINED CONSENSUS. THEY INDICATED EARLY AND ONGOING INTEREST IN US PROPOSALS (AS REPORTED BY EMBASSY). EMBASSY SHOULD CONVEY HOPE FOR FUTURE CONSULTATIONS ON THIS ISSUE.

16. FOR TUNIS: TUNISIAN DEL ALSO SHOWED INTEREST IN US PROPOSALS; WE WOULD HOPE TO CONSULT WITH GOT IN THE FUTURE.

HARTMAN

CONFIDENTIAL

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ORIGIN IO-02

INFO OCT-01 EUR-02 ISO-00 /005 R

66011

DRAFTED BY IO/TRC:CRHARTLEY:AMP  
APPROVED BY IO/TRC-CHARLES R. HARTLEY  
IO/DHP:DKURTZER

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R 182245Z FEB 77

FM SECSTATE WASHDC

TO AMCONSUL MONTREAL

C O N F I D E N T I A L STATE 036310

FOR ICAO

FOLLOWING REPEAT STATE 036310 ACTION BUNOS AIRES CANBERRA  
VIENNA BRUSSELS COTONOU BRASILIA BUJUMBURA OTTAWA BOGOTA COPENHAGEN  
HELSINKI PARIS BONN CONAKRY GEORGETOWN NEW DELHI JAKARTA TEHRAN

ROME TOKYO KUWAIT TANANARIVE LILONGWE BAMAKO VALLETTA MEXICO  
THE HAGUE NIAMEY OSLO ISLAMABAD LIMA FREETOWN COLOMBO MBABANE  
STOCKHOLM BERN BANGKOK TUNIS LONDON SANA USUN NEW YORK GENEVA  
SOFIA WARSAW BUCHAREST BANGUI CARACAS DARES SALAAM DAKAR  
BUDAPEST NASSAU PORT OF SPAIN NDJAMENA KINSHASA PRAGUE LUSAKA  
LA PAZ MOSCOW KIGALI MASERU YAOUNDE PEKING WELLINGTON 17 FEB 77

QUOTE

C O N F I D E N T I A L STATE 036310

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INTRODUCTION OF THE TWO PROPOSALS, AND YET STRESSING  
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HAS BEEN ACHIEVED, THE U.S. DELEGATION PLAYED THE ROLE  
OF "HONEST BROKER" IN THE NEGOTIATIONS BETWEEN THE  
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PROBLEM; THE INFORMAL CIRCULATION OF THE TWO U.S.  
PROPOSALS (STATE 6775) WHICH INDICATED OUR INTENTION

TO PURSUE THE ISSUE IN EARNEST DURING THIS GC; CONSUL-  
TATIONS BETWEEN THE U.S. AND USSR DELEGATIONS; AND  
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ACTIVE PURSUIT OF A STRONGLY-WORDED TEXT PUT FORWARD  
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HARTMAN  
UNQUOTE.

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## Message Attributes

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**Channel Indicators:** n/a  
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**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
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**Disposition Remarks:**  
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**Litigation History:**  
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**Message ID:** dc4d1fbf-c288-dd11-92da-001cc4696bcc  
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**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
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**Previous Handling Restrictions:** n/a  
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**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
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**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3233871  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** 23RD UNDP GOVERNING COUNCIL NON-CONVERTIBLE CURRENCY ISSUE--WRAP-UP  
**TAGS:** EAID, XX, UNDP  
**To:** BUENOS AIRES CANBERRA MULTIPLE  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/dc4d1fbf-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
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